

What Has Happened To My Property Taxes?

By
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Property taxes have become a hot issue this year and the results are making some of the property owners very angry. Many Brian Head property owners opened their tax notice to find that their property taxes are reportedly increasing 8.1%. And the percentage of what they will pay in 2010 over 2009 is actually closer to 18%-26%. Here is an explanation of what is happening.

Is the Town of Brian Head proposing to raise taxes? Yes, the proposed increase for 2010 is .000001 or 10 cents for each \$100,000 of market value of a commercial or secondary property, or 5.5 cents for each \$100,000 of market value of a primary residence.

Why does the tax form show a higher amount? Due to a State Legislative change in Utah Code 59-2-924 the law requires the “Redemption” to be called out separately and not calculated as part of the “Certified Tax Rate” as set by the State. The law gives a one-time allowance for the redemption to be included in the total property tax collected without going through the Truth in Taxation process. Your portion of that amount is shown on your individual tax notice between columns 2 (Tax This Year if No Budget Change), and 3 (Tax if Proposed Budget Approved. The Town Council opted for this allowance at the July 13, 2010 Town Council meeting as did other taxing entities that have the words “Legislative Change Utah Code 59-2-924, www.ironcounty.net” in the box to the far right of the tax schedule.

While it is identified as a tax increase it is still an amount of money that was part of the Certified Tax Rate in the past. The redemption for Brian Head is calculated at 8.1%. The term “Redemption” is a five year average of delinquent taxes collected by the Town. Approximately 12-13% (\$80,754) of the anticipated tax revenue is unpaid in Brian Head each year. The following table shows the past Certified Tax Rate and anticipated revenue.

Table A

Year	Certified Tax Rate Budget Revenue	Redemption Average	Total Anticipate Revenue
2007	\$595,381		\$595,381
2008	\$659,102		\$659,102
2009	\$785,221		\$785,221
2010	\$696,692	\$80,754	\$777,446
2011	\$696,692 (Estimate)	Adjust. The T in T	\$696,692 + T in T (Estimate)

What other issues contribute to the tax bill going up or down? If you did not “improve” your property by building, adding on, modifying or subdividing it then the primary factor in the amount paid is referred to as a “tax shift”. Each year the County Assessor adjusts property values up or down based on “Fair Market Value.” Raw land appears to have dropped in value at a greater rate than a home, and condominium values fell somewhere between homes and raw land. Because the tax rate is adjusted to compensate for value fluctuations the amount paid by each property can oscillate also. As an example:

Table B

Type of Land	Value Y1	Certified Tax Rate Y1	Tax Paid Y1	Value Y2	Certified Tax Rate Y2	Tax Paid Y2
Raw Land	\$50,000	.003285	\$164.25	\$35,000 (-30%)	.003705	\$129.68
Home/Cabin	\$300,000	.003285	\$985.50	\$255,000 (-15%)	.003705	\$944.78
Commercial	\$1,500,000	.003285	\$4,927.5	\$1,350,000 (-10%)	.003705	\$5,001.75
Total	\$1,850,000		\$6,077.25	\$1,640,000		\$6,076.21

While this table gives a small representation of a tax shift on a property valuation of 1.8 to 1.6 million dollars, the total Town property valuation for 2010 is \$235,999,016. Any property that reduced in value more than 32% will pay less tax this year than last (including the redemption). Any property that decreased in value less than 32% will pay some amount more than last year.

What is the “Redemption” and how does it work? This refers to the delinquent or unpaid taxes. Up until 2009 the delinquency rate or redemption was calculated into the Certified Tax Rate to ensure that the Town receives the anticipated revenue. In other words the tax rate is adjusted upward to compensate for those that don’t pay their taxes. An analogy would be a group of people at a restaurant who each pay more toward the bill for the person who forgets his or her wallet.

Over the years the money received as “Delinquent” revenue, or taxes paid after the due date, were put into the General Fund Budget and used to provide Town services. The “back taxes” or taxes paid after the due date are turned over to the Town in the year they are collected and identified as “General Property Tax (Delinquent)”.

What are property taxes used for? The revenue collected from current and delinquent property taxes equal \$879,000 or .42% of the Town’s revenue for General Fund activities in the 2010-11 budget. The general fund pays a portion of the expenses for things such as wages for the Council and some staff, Town Hall operation, Legal, Public Safety, Planning and Zoning, Building Inspection, Streets, Shop Fund (for the lease and maintenance of public works equipment), and Parks and Recreation.